GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2787
ANSWERED ON:17.12.2004
IMPROVEMENT IN CREDIT SYSTEM
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Will the Minister of FINANCE be pleased to state:

(a) whether the Associated Chambers of Commerce and Industry (ASSOCHAM) has stated in its study report that there has been no improvement in the credit system of the banks in the rural areas.

(b) the total percentage of loans in the rural and semi-urban areas in the year 2003-04 as compared to the previous year;

(c) whether the reduction in the ratio of the deposit in the banks of the rural areas has also been registered;

(d) if so. the reasons therefor; and

(e) the measures being taken by the Government to speed up the flow of credit?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a), (b) & (c): The Reserve Bank of India (RBI) and NABARD have: informed that they have no information about the study report of the Associated Chambers of Commerce and Industry (ASSOCHAM) on the subject. The percentage of outstanding credit of the Scheduled Commercial Banks (SCBs) including, the Regional Rural Banks (RR3s) in respect of their rural and semi-urban branches, formed 21% and 20.9% of their total outstanding credit during the years ending March, 2002-03 & 2003-04. respectively. The credit deposit ratio of rural branches of SCBs including, the RRBs increased from 42.42% as on March 31, 2003 to 43.69%, as on March 31,2004 respectively.

(d): Does not arise.

(e): The Union Finance Minister had announced a broad outline of programmes on June 18, 2004 for doubling the flow of credit to agriculture in three years. The Government has proposed Co step up the agricultural credit from all lending institutions, estimated at Rs. 80,000 crores during 2003-04, to around Rs. 1,05.000 crores during 20Q4-05

(increase by 30 %)
Consequently, banks have been advised on June 24. 2004 to reschedule/restructure the debts as on March 31, 2004 of farmers, who have suffered production and income losses on account of successive natural calamities, i.e. drought, flood or other calamities which might have occurred in the districts for two or more successive years during the past five years, provided the State Government concerned has declared such districts as calamity affected.

As regards the crop loans and agricultural term lo&rs which h&ve already been restructured on account of natural calamities as per the standing guidelines, as also, the agricultural term loans only the overdue instalments including interest thereon, as on March 3 I, 2004. may be taken into account for the proposed restructuring.

The banks have also been advised to formulate guidelines, with the approval of their Boards of Directors, on one time settlement of debt of small and marginal farmers., who have been declared as defaulters till June 24, 2004 and have become ineligible for fresh credit.

Further, banks were also advised to review all cas.es of small and marginal fanners where credit has - been denied on the sole ground that a loan account was earlier settled through compromise or write-offs.

Also, in Grder to mitigate the acute distress that farmers might be facing due to the heavy burden of debt from non-institutional lenders (e.g.. Money lenders) ard to provide them relief from such indebtedness, banks have been advised, subject to the guidelines to be approved by their Boards of Directors, to advance loans to such farmers against appropriate collateral or group security.